

Wellbeing  
Budget 2021  
**SECURING OUR  
RECOVERY**

# Budget Speech

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Minister of Finance

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# Budget Speech

Mr Speaker,

It is an honour and a privilege to present the Wellbeing Budget 2021 – Securing Our Recovery – to the House.

Today's Budget is set against the backdrop of two previous Budgets, one delivered last year and one that was delivered 30 years ago. Budget 2020 was very much a COVID-19 Budget that provided the largest ever fiscal stimulus to support New Zealanders through the shock and impact of the global pandemic. While the economy has outperformed predictions, the job is not yet done. This year's Budget is still in the shadow of COVID-19, and its focus is to secure our recovery from its impact.

This Budget is also set against the Budget delivered 30 years ago this year, the so-called 'Mother of All Budgets'. It was the Budget that finalised the benefit cuts, which introduced the idea of hospitals being replaced by Crown Health Enterprises, that set in motion interest-bearing student loans and that welcomed the passing of the Employment Contracts Act.

On this 30<sup>th</sup> anniversary of that Budget, our Government is undoing some of the damage done all those decades ago. In recent weeks, we have released the details of Fair Pay Agreements to lift wages and conditions across the industries where some of our lowest paid people work.

Today, we address the most inequitable of the changes made 30 years ago. We will restore dignity and hope for some of the lowest income New Zealanders by righting the wrong of those benefit cuts by boosting main benefit rates by up to \$55 per week. This not only continues our quest to reduce inequality, it also acts as further support and stimulus to our economy as we recover from COVID-19.

I will return to the detail of this shortly but it is to the economic impact of COVID-19 that I wish to turn to first.

A great deal has happened in the year since I stood in a socially distanced chamber to deliver Budget 2020. Unemployment was forecast to peak at close to 10 percent; the Treasury had cut \$100 billion out of its pre-COVID-19 GDP forecasts with many economists saying it would take until at least 2023 for activity to return to previous levels.

Government revenue was forecast to be lower than 2019 levels for nearly three years. The OBEGAL deficit was forecast to be at nearly \$30 billion from 2020 to 2022; and our net debt was forecast to rise to near 55 percent of GDP in 2023.

In the face of this one-in-one-hundred-year shock, the New Zealand economy has proved to be remarkably resilient.

Today's Budget shows that the New Zealand economy is expected to build on this resilience as we secure our recovery. Unemployment is forecast to fall back to 4.2 percent and an extra 200,000 people will enter employment over the next four years.

GDP growth will rise from 2.9 percent this year to 4.4 percent in 2023. Exports are forecast to grow, on average, by 5.8 percent over the next four years.

Business investment is forecast to grow at nearly 6 percent a year. Wage growth, at nearly 3 percent a year will outpace inflation, meaning more money in Kiwis' back pockets.

Our stronger economy also means stronger Government books. Crown tax revenue is forecast to have fallen by only 1.6 percent between 2020 and 2021.

The OBEGAL deficit in the current 2021 financial year is forecast to be about half of what was predicted a year ago. The operating balance and residual cash are forecast to be in surplus at the end of the forecast period, while the OBEGAL is projected to be in surplus from 2026/27 – roughly the same time the previous Government took to get to surplus following the Global Financial Crisis.

At no point now is net debt forecast to go above 50 percent of GDP. While the headline numbers show a peak of 48 percent, looking through the impact of the Reserve Bank's Funding for Lending programme, net debt is forecast to be 41.4 percent in 2025.

New Zealanders can be proud of our response to COVID-19. It has been recognised around the world as not only a leading successful, science-driven public health response but also as a strong economic response. In February, S&P Global Ratings gave New Zealand the first credit ratings upgrade of any sovereign since the pandemic and the first for New Zealand since 2003.

Mr Speaker,

I acknowledge that our stronger economic position will mean there are people who argue we should be taking on more debt and running larger deficits than we present here today. There will also be people who argue we should be reducing debt faster, cutting government services and removing our support for the economy even as the global pandemic continues to rage. I believe Budget 2021 gets the balance right. It protects New Zealand's strong position by keeping a lid on debt and tracking a responsible return towards surplus, while giving us the ability to make targeted investments where they are needed most to secure our recovery.

This balanced approach is needed, because despite our success, the impact of COVID-19 is still very much present. The images of death and distress from India, the outbreaks in our region in Fiji, the emergence of new variants and the slow return to normality elsewhere, are stark reminders that we are not through this. Every economic forecast, no matter how positive, is accompanied by frequent use of the words "uncertainty" and "volatility".

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At home, we have seen the impact of COVID-19 fall unevenly. Sectors such as tourism, international education, hospitality and events have taken a hit, and regions reliant on them have been struggling. The impact has also been disproportionate on groups within our society, with women, Māori and Pacific peoples' unemployment rising disproportionately during the worst of COVID-19.

In the face of uncertainty and the on-going impact of COVID-19, the Government needs to continue to support and stimulate the economy in order to secure our recovery.

## Wellbeing Outlook and Approach

New Zealanders' wellbeing has held up well during COVID-19. The Wellbeing Outlook released by the Government today shows life satisfaction has remained high during the pandemic, with 86 percent of respondents to the March Wellbeing Supplement of the Household Labour Force Survey reporting high satisfaction, the same as in December 2020 and slightly higher than in September and June 2020. Life satisfaction levels reported across the past year during COVID-19 have remained higher than in the 2018 General Social Survey.

The data, however, does show the groups of New Zealanders with lower levels of wellbeing. Sole parents, unemployed people and people not in the labour force due to injury, sickness or disability are more likely to report lower life satisfaction and that they have felt lonely most or all of the time. Māori and Pacific people are also more likely to report fair or poor health, and continue to face barriers to education. This data reinforces the importance of our wellbeing objectives.

As in the last two Budgets our investments are in line with wellbeing objectives that are based on evidence, data and advice from experts. The objectives are: making a just transition to a low-carbon economy, ensuring everyone benefits from the future of work, enhancing Māori and Pacific opportunities, improving child wellbeing, and a focus on mental and physical health. These objectives are enduring and require sustained investment in order to be met.

The initiatives in this year's Budget were again subject to a wellbeing analysis, which includes assessment against the objectives above, the domains of the Living Standards Framework, implementation readiness and value for money. We are continuing to develop this approach to ensure it gives a true Aotearoa New Zealand view of wellbeing.

Mr Speaker,

This is a Government that will provide progressive leadership, much needed reform and a strong and confident plan for our nation's post-COVID-19 future.

The Government has three goals this term:

- *To keep New Zealanders safe from COVID-19*
- *To accelerate our recovery and rebuild*
- *To tackle our foundational challenges, in particular, housing affordability, climate change and child wellbeing.*

Alongside this, we have an ambitious programme of system reform that will improve productivity, social outcomes and wellbeing. This includes a complete overhaul of our health system, our planning laws and the way we manage the three waters.

The three Budgets that I present this term will drive this ambitious programme and need to be seen as a package. The change we are seeking is wide ranging. We cannot deliver everything in one Budget, including our manifesto commitments, but I will lay out today our plans in each of our goal areas, and where we will seek to go, across the three Budgets of this term.

## **Keeping New Zealanders Safe from COVID-19**

New Zealand's response to COVID-19 has saved lives and livelihoods. With the benefit of hindsight there are many views of what we could or should have done differently. Not everything was perfect as we made decisions swiftly and without much of the information we now have. It was also expensive. But then there were no costless decisions in COVID-19. I stand by our approach, we have done well and given ourselves a head start that we are determined to capitalise on.

Now is not the time to be complacent. Many countries around the world continue to have third and fourth waves of COVID-19, and new variants are testing the health systems and responses in many places. Even where there has been successful responses in places such as Vietnam and Taiwan, there have been significant recent outbreaks and restrictions. We need to continually adapt ourselves to the impacts of the virus, and to building our defences against it.

First and foremost in that is our vaccine programme. We have allocated just under \$1.5 billion to the COVID-19 Vaccine and Immunisation Programme, including just over \$1 billion for advanced purchase agreements for vaccines and \$357 million for the immunisation programme, along with funding to support the provision and delivery of the vaccine in the Pacific. We have made a great start towards our goal of vaccinating all New Zealanders who wish, over the age of 16 free of charge by the end of the year. We will continually update this programme, and there is scope in the COVID-19 Response and Recovery Fund (CRRF) to increase spending if needed, including for expanding the programme to those under 16 if the scientific evidence supports doing so.

We are also continuing to invest in our managed isolation and quarantine and other border facilities. As recently announced, we have opened up 500 places every two weeks to support more critical workers to come to Aotearoa New Zealand, including through the Regional Seasonal Employer Scheme and for cohorts of international students to return here.

The CRRF has continued to be a useful tool to support our response to COVID-19 and to manage it from a fiscal perspective as well. We are now moving more into the period where it is being used to support the recovery, as seen in a number of initiatives in this Budget. However, we have still maintained a buffer of just over \$5 billion to support New Zealand in the now more unlikely event of a resurgence of COVID-19 that would lead to increased alert levels. It remains the responsible and precautionary thing to do.

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We are also taking steps to reconnect ourselves at a people-to-people level with the rest of the world. The Trans-Tasman and Cook Islands bubbles are important steps forward and, as the Prime Minister said last week, we will continue to look at opportunities to add other countries to this list, when it is safe and appropriate to do so.

We have also learned lessons from COVID-19. One of those is that, just as occurred after the Canterbury Earthquakes and GFC, the Government found itself having to put in place ad-hoc measures to protect the incomes of New Zealanders who had lost their jobs. We did this with the COVID-19 Income Relief Payment. At the urging of Business NZ and the Council of Trade Unions we have committed to the development of a Social Unemployment Insurance scheme. Many countries around the world have such a scheme. We are investigating an ACC-style scheme that would provide 80 percent of income for a fixed period of time, with minimum and maximum caps, linked to training opportunities. This proposal is being developed by a tripartite working group with Business NZ and the CTU, and public consultation will occur later in the year.

## **Accelerating Our Recovery and Rebuild**

Mr Speaker,

Budget 2021 is a Recovery Budget. Our strong economic response over the past year has given us an opportunity to push on with investment to create jobs, and address long-term productivity issues in the economy. In this term of government we have a clear and simple goal to diversify and lift the value of what we produce, and grow the range of places we sell our goods and services to.

To do this, we are developing Industry Transformation Plans across seven areas of our economy where we believe we can get a global competitive advantage or where an industry sector needs to undergo transformation to significantly increase its level of productivity. These are in advanced manufacturing, agritech, food and beverage, digital, construction, tourism, forestry and wood processing. These plans see engagement with all stakeholders in the sectors so that the outcomes are well informed, aspirational and achievable.

Underpinning this is our investment in research and development and export promotion. In Budget 2020 additional resources were provided to New Zealand Trade and Enterprise to boost our in-market and on-line presence as the world begins to recover from COVID-19. Two years of funding remains in this allocation. The Government is continuing to prioritise the negotiation of Free Trade Agreements with the European Union and the United Kingdom. Trade Minister Damien O'Connor will soon travel to the Northern Hemisphere to further advance our case with both jurisdictions.

Mr Speaker,

The centrepiece of investments to lift productivity in Budget 2021 is a \$57.3 billion programme of infrastructure spending in the period 2021 to 2025. This includes a \$4 billion boost to the multi-year capital allowance, taking it to \$12 billion over the four-year period.

Across the forecast period there will be \$10 billion of investment in roads and public transport projects through Waka Kotahi, \$5.6 billion in Education, including an additional \$634.1 million in Budget 2021 for classrooms, and a further \$700 million for District Health Boards' capital investment, taking the spend in this area across the four-year period to \$6 billion.

This investment will create jobs, improve productivity, strengthen communities and make a significant dent in the infrastructure deficit that has built up over decades in Aotearoa New Zealand. We will continue to work with Te Waihanga, the Infrastructure Commission, to improve the efficiency and effectiveness of this spend, and to seek opportunities to partner with local government, iwi and the private sector to deliver quality infrastructure to support wellbeing.

Budget 2021 continues our significant investment in rail. A total of \$810 million is allocated to purchase new locomotives and wagons and upgrade existing stock, adding to the more than \$4 billion put into rail over the last term of government.

We are also fulfilling a commitment of the Labour Government to rebuild manufacturing in New Zealand. The rail allocation includes \$85 million to build a local wagon assembly facility at Hillside Workshops in South Dunedin. The facility will initially assemble 1,500 wagons, creating jobs, and opportunities for apprenticeships, and for the first time in decades create some on-shore resilience for our rail sector. In addition, Budget 2021 also provides the final stage of investment for a new South Island Mechanical Maintenance Hub to be built at Waltham in Christchurch, creating around 300 jobs through its construction.

Budget 2021 also funds a \$306 million redevelopment of Scott Base to ensure our presence in Antarctica is safeguarded. This will support up to 700 jobs over the six-year timeframe for the work.

Mr Speaker,

A critical element of improving productivity is increasing the skills of our workforce. One of the major success stories of our economic response is the investment in apprenticeships and targeted trades training. Since we made them free from 1 July last year, we have seen more than 100,000 people take up the opportunity, including 57,000 apprentices. In addition, the Apprenticeship Boost programme has supported nearly 11,000 businesses to retain their apprentices to complete their qualifications. That programme is continuing, and today we add to it.

Budget 2021 extends the Training Incentive Allowance to level four to seven qualifications. This will mean that 16,000 sole parents, disabled people and carers will have financial support to get degree- level qualifications. The Budget continues investment in our reform of vocational education with \$279.5 million to create a unified funding system that will see more New Zealanders get the skills and training needed to improve our productivity.



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The Budget also funds other active labour market programmes, such as the further expansion of the Tupu Aotearoa programme to support around 7,500 Pacific Peoples into employment, training or education.

Mr Speaker,

Small and medium enterprises (SMEs) are at the heart of job creation in New Zealand. Through COVID-19 the Government has provided significant support to SMEs, including billions through the Wage Subsidy Scheme, \$1.7 billion of low-interest loans through the Small Business Cashflow Scheme and \$50 million in advisory support for businesses across the country.

Budget 2021 builds on this with funding for a digital skills training programme for up to 60,000 small businesses. One of the main messages from small business in the wake of COVID-19 was the importance of having the knowledge and tools to compete in a digital world. The Government is also supporting advisory services to help 30,000 businesses create digital business action plans.

Many of our SMEs are in the tourism sector that has been hardest hit by COVID-19. We have recently announced further support of \$200 million to drive a recovery and reset of the sector. There is a particular focus on the hardest hit regions of Kaikoura, Mackenzie District, Queenstown Lakes, Fiordland and South Westland. The Package also commits \$15 million to support Māori Tourism operators which will be deployed by New Zealand Māori Tourism. Budget 2021 also establishes the new Regional Strategic Partnership Fund as committed to in Labour's manifesto.

Mr Speaker,

As I noted earlier, the Government is undertaking some major system reforms over this term of government that will accelerate our recovery. Reform of our planning system is long overdue. It has become confused, inconsistent and unclear for almost all participants. Led by Environment Minister David Parker, the Government has embarked on a once-in-a-generation project to establish a resource management system that is fit for purpose. This Budget invests \$131.8 million to see this reform through all its stages.

Alongside this major reform exercise is the Three Waters programme led by Local Government Minister Nanaia Mahuta. Budget 2021 allocates a further \$296 million to fund the costs of the creation of new entities to effectively, equitably and efficiently manage water infrastructure and provide New Zealanders with safe supply wherever they live. The Government is committed to water remaining in public ownership, with local authorities, communities, iwi and others playing a central role. We are making good progress on this work and expect to make further announcements on the details and further support for the programme in the coming months.

Mr Speaker,

Securing our recovery also requires substantial investment so that the basic wellbeing needs of New Zealanders are met, and that we have world-class public services. At the centre of this in Budget 2021 is a record \$4.7 billion increase in operating investment into Health over the forecast period. The total expenditure on health in the next financial year is \$24 billion, some 45 percent higher than was spent by the National Government in its last year in office.

The Health reforms are another once-in-a-generation opportunity to see quality health services delivered to New Zealanders wherever they live. The Budget provides the initial funding for the transition and implementation. This includes the establishment of Health New Zealand and the Māori Health Authority. Both represent enormous opportunities to get more relevant and effective services to the people who need them the most.

While the reform process is being implemented, it is vital that the Health system continues to deliver quality services. Budget 2021 invests \$2.7 billion operating funding into District Health Boards over the forecast period.

It also makes good on a number of election commitments to public health services. An additional \$200 million is allocated to PHARMAC to widen access to existing medicines and invest in new medicines. Since we have been in government we have increased PHARMAC's budget by almost 25 percent to over \$1 billion per annum.

The Budget also almost doubles the number of cochlear implants available to adults. For those who receive these implants it is a life-changing experience that can improve family and whānau and work life.

There is a boost for health services for the Pacific community to implement the Ola Manuia Action Plan, further additional funding for air and road ambulances and the rollout of the Bowel Screening Programme to the last remaining six District Health Boards. This is in addition to the previously announced funding for cervical and breast cancer screening.

Mr Speaker,

Budget 2021 makes significant investment in Education, including the already announced \$170 million to take important steps to pay parity for early childhood education teachers not in kindergarten settings.

The Budget also commits funding to implement the system reform that Education Minister Hon Chris Hipkins started last term. This includes a new Education Service Agency and a flexible fund to support schools to identify and develop local solutions to meet the needs of learners. More than \$110 million will support the development of the national curriculum, including a curriculum centre. There is funding to complete the National Certificate of Educational Achievement (NCEA) Change Programme, and to increase the number of students receiving support from the Attendance Service to provide intensive support to those learners at risk of disengaging. An \$11.6 million allocation will expand the highly successful Reading Together and Duffy Books in Homes schemes.

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Educational opportunities for Māori and Pacific learners are also given a boost in Budget 2021. Over \$150 million is allocated to support Māori education including for boarding schools, lifting the pay of kōhanga reo teachers and expanding Māori medium education. There is also an overall lift of \$20.8 million to support Pacific bilingual and immersion education.

Mr Speaker,

It is essential that the recovery from COVID-19 is one that addresses inequality. Recessions typically see already marginalised groups made worse off, and there is evidence that this has occurred in Aotearoa New Zealand in the wake of COVID-19.

Budget 2021's boost to main benefits is designed to reduce inequality, at the same time as providing further stimulus to the economy. For too long the incomes of those who receive income support from the Government have been too low. The Government established the Welfare Expert Advisory Group who made a clear argument for change. Over the past few Budgets, we have made significant moves to improve the wellbeing of those receiving benefits.

The Families Package, including Best Start, the Winter Energy Payment, plus the \$25 per week increase to main benefits as part of the initial COVID-19 response are among them. We also made the critical decision to index main benefits to wages in Budget 2019.

Today, we are announcing the biggest increases in main benefit rates in more than a generation. By April next year we will have moved all main benefit rates to the level recommended by WEAG and in the cases of families and whānau with children, beyond those rates.

We will do this in two tranches. The first on 1 July this year, when all benefits will increase by \$20 per week. The second on 1 April next year when benefits will increase by a range of amounts to meet the levels recommended by WEAG. Student support payments, both for allowances and loans, will increase by \$25 per week from 1 April next year as well.

These changes will make significant differences to the wellbeing of our lowest income earners. For a single Jobseeker 25 years or older, they will see a \$48 per week increase as a result of the changes in this Budget. The total increase for them from changes implemented since we came into government at the end of 2017 is \$86 per week, representing a 38 percent increase in support. For a Jobseeker couple without children they will see their support increase \$55 per adult as a result of this Budget, \$77 more since 2017, representing a 40 percent increase.

Budget 2021 also funds the previously announced changes to abatement rates that will allow those receiving benefits to earn at least \$160 a week before their benefits are affected. This is the equivalent of eight hours work at the minimum wage. We know that undertaking some work is an important step for people re-entering the labour market, and we are now providing far better incentives to do so.

I want to recognise the work of the Prime Minister and the Hon Carmel Sepuloni in bringing this package together.

Increases in main benefit rates will have a stimulatory effect on the economy. At a practical level the stimulus will be felt in local businesses because we know those on main benefits will spend in the communities in which they live.

But, Mr Speaker, for me this is primarily a moral issue. I recently watched a documentary about the reforms pushed through in the late 1980s and early 1990s in New Zealand. One person in that documentary made the comment that New Zealand would likely be paying the price for the cuts made well into the next century.

More than 20 years into this century he has been proved disturbingly correct. Levels of hardship and deprivation have grown, with some periods of plateau, over the decades. The intergenerational effect on wellbeing has been enormous.

Even in the constrained circumstances caused by the level of debt we have taken on to get through COVID-19, we have an obligation as a relatively wealthy nation not to accept the levels of inequality that are present in our society. Today is a major step in that direction but we are well aware there is more for us to do.

## Tackling our Foundational Challenges

Mr Speaker, the Government has committed to tackling the foundational challenges in our economy and society in this term of government. In particular, we are focused on making significant progress in three areas: housing affordability, child wellbeing and climate change. These will be a focus across all three Budgets this term.

### *Housing Affordability*

It is the Government's goal that all New Zealanders have warm, dry, safe and affordable housing to live in. We have invested significantly towards this goal over recent Budgets.

The Government is on track to deliver on our promise of over 18,000 new housing places – public and transitional – by the end of 2024.

To date, since we took office in 2017, we have delivered 7,631 net new public housing places, of which 5,848 are brand-new builds. We have a fully funded public house building programme right through to 2024. We also have 1,005 transitional housing places as at February this year to provide urgent support to those most in need.

In March this year we announced a comprehensive package of measures to address both demand and supply issues in our housing market.

In today's Budget documents the Treasury estimates that annual house price increases will peak in June this year at 17 percent before dropping over the forecast period to 0.9 percent, as a result of both the Government's interventions and macro-prudential tools such as loan-to-value ratios (LVRs). This is a sharp adjustment but a very necessary one. The Government's concern is not just that house price growth was unsustainable, but also that the balance was too much in favour of speculators and investors and away from first home buyers. Our interventions to remove interest deductibility and increase the bright line test were focused on this goal.

On the supply side it is essential that we build more houses and, in particular, affordable houses and houses to rent. The reforms in March establish a tax incentive to build, with both the bright line extension and the removal of interest deductibility not applying to new builds.

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In today's Budget we have appropriated the funding to establish the \$3.8 billion Housing Acceleration Fund. This is a critical fund to ensure that there is the infrastructure in place to make land build-ready. It is the number one issue identified by local councils and developers.

The Budget also invests \$380 million in Māori housing through the initiative, Whai Kāinga Whai Oranga. We know that Māori are far less likely to own their own homes. In 2018 the Māori home ownership rate, including family trusts, was 31 percent whereas for the total population the rate was 52 percent. We have a responsibility to address this inequity, and today's announcement makes an important start. To support the building of new homes, we have ring fenced \$350 million of the Housing Acceleration Fund to provide infrastructure to support this programme.

Budget 2021 also provides Kāinga Ora with substantial resources to acquire land and over \$133 million to carry out its urban development functions, and it funds the increased support within First Home Products announced in March.

On-going and sustained investment in housing is required to ensure that there is affordability for all.

### ***Climate Change***

Mr Speaker,

This Budget is being delivered just under two weeks ahead of the planned release of the final report of the Independent Climate Commission. The draft report of the Commission makes sober and essential reading. It lays out the scale of the task for Aotearoa New Zealand to meet the emissions reductions required to meet our Zero Carbon Act targets and our Paris Agreement commitments.

Given the timing of the Commission's report, while this Budget takes some important steps forward, it will be in Budgets 2022 and 2023 that we will see further commitments being made.

In recognition of that I am announcing today that it is my intention that from Budget 2022 onwards we will hypothecate (or recycle) the revenue generated from the Emissions Trading Scheme into emissions reductions programmes.

Climate Change Minister James Shaw and I are currently working on a long-term plan for the financing our climate change goals. My view is that the current way in which Budgets are required to be produced makes it difficult to make the sustained and long-term investments needed to fix an intergenerational, multi-faceted, complex problem like climate change. We will report back to Cabinet before the next Budget process gets under way on our proposals on this work.

In this Budget we have allocated significant resources to help shift the dial on our emissions reductions. \$300 million has been allocated to NZ Green Investment Finance Limited (NZGIF), the investment vehicle established in the Labour/Greens Confidence and Supply Agreement in our last term of government. This is a quadrupling of the funding available. We will be asking NZGIF to have a particular focus on decarbonising public transport, and the waste and plastics sectors, in using this new investment to reduce emissions.

Budget 2021 also establishes a \$302 million tagged contingency to implement a regime to incentivise the uptake of low-emissions vehicles. This complements the implementation of a Clean Car Standard that is also funded through this Budget. As indicated in the consultation document released last week there is a need for a more rapid move to sustainable vehicles if we are to have any hope of reaching our goals.

Other initiatives in Budget 2021 that contribute to our climate change programme include \$67.4 million to implement the Carbon Neutral Government programme, the extension of the Warmer Kiwi Homes programme for another 47,700 homes, more support for the Low Emission Vehicle Fund and more support for businesses to transition to low-emissions energy.

The primary sector also receives support through the Budget to tackle on farm emissions. This includes ensuring up to 40,000 farmers and growers have the tools they need to improve on-farm performance and meet freshwater and greenhouse gas requirements by 2025.

### ***Child Wellbeing***

As with the past two Budgets, today I am presenting a Child Poverty Report as mandated by the Public Finance Act. The report shows that the Government's actions to date have reduced child poverty rates, using the after-housing cost measure, to the extent that there are 43,000 fewer children in low-income households and 18,000 fewer children experiencing material hardship. This is one of the largest policy driven falls in measured child poverty in decades. But equally, we know there is more to do to meet all the clear targets laid out in the report.

This Budget takes a significant step forward, in particular, through the main benefit increases. In addition to meeting the levels recommended by WEAG, the Budget provides an additional \$15 per adult per week to families and whānau with children from 1 April next year.

This means that up to another 33,000 children on the after-housing measure are projected to be lifted out of poverty as a result.

109,000 families and whānau with children will be better off by \$40 per week as a result of these changes and, on average, \$175 per week in total better off as a result of the changes made by the Government since being elected at the end of 2017.

This represents an enormous change in the lives of these people. It will mean, as one person asked for on television as their Budget wish, that we will put shoes on the feet of our children and food in their stomachs.

Speaking of which, Budget 2021 funds the extension of the Ka Ora, Ka Ako Healthy School Lunches programme to the tune of \$526.9 million. It also puts in place the indexation of childcare assistance income thresholds to the average wage, which will benefit over 1,000 families and whānau or around 1,500 children. The Budget provides for 3,300 places for children in Out of School Care and Recreation Services supporting their parents or caregivers to transition into employment, education or training.

As with all of the three foundational challenges there is much more to do to achieve our goals. But the Government has a clear focus on making major progress this term to tackle them.

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Mr Speaker,

This Budget is about securing our recovery. New Zealanders have done the hard work of coming together to fight COVID-19. Our success is the envy of many across the world. We supported lives and livelihoods, found cashflow and confidence, and have managed to have lives of relative normality when others have faced difficult and debilitating restrictions. Our economy has been resilient, and our people compassionate and strong. I say thank you to each and every person who has contributed to that- in business, as workers, in our communities, on our marae, and in every part of Aotearoa New Zealand. Ngā mihi nui ki a koutou.

The work continues as we build our recovery. This is no time to be complacent. We have the opportunity to build off our head start and we will not waste it. Our approach will continue to be a balanced one. Investing where it is needed the most, while keeping a careful hand on the books to keep a lid on debt and look out for future generations.

A year on from the 2020 COVID-19 Budget we are well positioned, and ready to tackle those long standing challenges, and to take new opportunities. We are also here to right the wrongs of thirty years ago, to give each and every New Zealander hope and dignity. We owe each other nothing less.

As we have said often to one another over the last year, He Wake Eke Noa, we are all in this together.